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C O N F I D E N T I A L SECTION 01 OF 02 KHARTOUM 001957

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DEPT FOR AF/SPG, EB/IFD/OMA, AND INR/B

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TAGS: [EAID](#) [EFIN](#) [EPET](#) [PGOV](#) [PREL](#) [PINR](#) [SU](#)
SUBJECT: SUDAN: JOINT TECHNICAL COMMITTEE ON OIL REVENUES
OPERATING (C-AL6-00320)

REF: KHARTOUM 01921

Classified By: P/E Chief E. Whitaker, Reason: Section 1.4 (b) and (d)

11. (U) Summary: As mandated by the CPA, the Joint Committee on Control, Monitoring, and Calculation of Net Oil Revenues has been created and is functioning. This joint committee is intended to work under the supervision of the National Petroleum Commission (NPC). While the NPC has yet to establish itself as a fully functioning entity, the Joint Committee on Oil Revenues has nevertheless commenced its work, which includes the task of monitoring the transfer of oil revenue to the Government of Southern Sudan. End Summary.

Joint Technical Committee Up and Running

12. (C) Pol/Econ Officer and FSN Econ/Commercial Specialist met on August 9 with Yousif Ramadan Mohammed El Hassan, member of the Joint Committee on Control, Monitoring, and Calculation of Net Oil Revenues (aka the Joint Technical Committee). The committee has ten members, five from the North and five from the South. Ramadan, an SPLM member from the South, explained that the committee was established by decree in February 2005, that he was confirmed in his appointment in December 2005, and that the committee has been meeting on a monthly basis since March 2006. The committee has established a secretariat. The members have visited various installations around the country, including producing oil fields, pipelines, and port facilities. Members of the committee have also received training, including a one-week session in Norway arranged by the Norwegian government. Ramadan was enthusiastic about the training and site visits, noting that he has learned a lot of technical jargon (e.g., terms such as upstream and downstream). He confirmed that a meeting of the committee is scheduled for the end of August for the purpose of discussing the July production figures.

13. (C) According to the decree by which it was created, the Joint Technical Committee has five duties:

-- Establish a monitoring system for daily oil production all over Sudan;

-- Agree on the annual normative price;

-- Establish a system for account and monitoring net oil revenues;

-- Account for the actual share of the Government of Southern Sudan and the governments of the producing states and ensure transfer of the shares; and

-- Agree on a mechanism for monitoring the Oil Revenue Stability Account.

14. (C) Pol/Econ Officer asked what happens when the committee cannot reach agreement. Ramadan replied that, so far, this has not happened, but in the event of a deadlock, the issue would be referred to the National Petroleum Commission (NPC). He noted that while the NPC has met twice, it is not really functioning yet. When asked what the normative price (benchmark for national budget planning purposes) is likely to be for the coming year, Ramadan replied that he thought it might remain at \$45 a barrel, the same as this year's level.

Production Below Planned Levels

15. (C) When asked about production figures for the year so far, Ramadan said that production, now at about 300,000 bpd, has fallen short of planned levels. Around 200,000 bpd from Petrodar consortium's Adar-Yale field (Blocks 3 and 7) has not come on stream as anticipated. He attributed the delay to "problems with the Malaysians," stating they had fallen behind schedule, but would not elaborate further. (Comment: other contacts have told us the pipeline is complete, but the delay is due to slow construction of the oil loading facilities at Port Sudan. End comment.) Ramadan was somewhat critical of the Malaysians, noting that, "at least the Chinese execute their contracts on time." However, Ramadan said he is optimistic that the production from Blocks 3 and 7 will start flowing at 130,000 barrels per day by the end of August and reach 200,000 bpd by December. This would bring production to about 500,000 bpd by the end of the year. (Comment: other industry contacts are less optimistic in their projections. End comment.)

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16. (C) When asked if the Joint Committee conducts any inspections, verifications, or audits of production and revenues, Ramadan replied that the committee simply accepts the figures provided by the Ministry of Energy and Mining. He said the committee might conduct an audit at the end of the year. When asked if forward sales of petroleum were being considered or conducted, Ramadan initially seemed confused by the question, but replied that all production is sold on the spot market. He noted that Sudan's Nile Blend is sold at a discount of "4 or 5 dollars" per barrel to the world benchmark (Brent crude) price.

17. (U) Note: Reftel provides production and revenue figures drawn from notices printed in the local press. These figures are the same as those for which the Joint Technical Committee has signed. End note.

18. (U) Bio note: Ramadan is from the town of Wau. His grandfather came from the north of Sudan, while his mother's family are southerners. He regards himself as a southerner. He is an accountant and worked for several years in Nigeria.
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